



*DEPARTMENT OF
VETERANS AFFAIRS
MEDICAL/SURGICAL
PRIME VENDOR PROGRAM
DESK REFERENCE*

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PART 1 – BACKGROUND

The Medical/Surgical Prime Vendor (MSPV) program is to provide a customized distribution system that meets or exceeds facility requirements by providing efficient and cost-effective just-in-time distribution, inventory, electronic, and catalog ordering processes. Facilities can access a broad number of products from multiple product suppliers from one primary distribution contractor. A prime vendor is a concept of support whereby a primary commercial distributor serves as the major provider of products to Federal Government agencies within a geographic area. A prime vendor is responsible for the maintenance of adequate inventories and for the delivery of goods produced by the numerous product suppliers to facilities upon request.

1.0 INTRODUCTION

- A mandatory MSPV program is expected to reduce various logistics and supply management costs, reduce personnel time and staffing needs. A mandatory MSPV program will also provide consistency and efficiencies of scale within VA. Specifically, the program will provide the following benefits:
- Supply Chain Efficiencies – Just-In-Time deliveries result in a reduction in inventory carrying costs, warehouse space and inventory levels, while enhancing inventory turnovers.
- Increase In Purchasing Power – A mandatory Prime Vendor Program aggregates VA's buying power.
- Accountability Controls – With electronic inventory and ordering capabilities, VA facilities can analyze purchase history and more accurately identify buying patterns. On a national basis, this procurement history will allow VA to identify open-market patterns, products for inclusion under national contract programs, and accurate verifiable sales history. Availability of bar coding enhances this process. Better inventory records and more accurate sales history lead to improved procurement decisions and processes allowing facilities to project future budgetary needs.
- Enhanced Customer Satisfaction – A mandatory Prime Vendor program provides individual customer service for each medical center.
- Consistency – A mandatory Prime Vendor program results in consistent contract terms and conditions for all facilities.
- Reduction in Administrative Costs – A mandatory Prime Vendor program reduces the number of orders that would otherwise be placed with multiple contractors resulting in decreased administrative costs, order processing and invoice payments. Electronic ordering, inventory management, order confirmation, and invoice payment reduces administrative time and costs.

- Order Confirmation, Out-of-Stock Notification, and Possible Substitution Identification – The 2-hour electronic notification process allows facilities the opportunity to make ordering decisions on a proactive, real time basis.

1.1 CONTRACT PERIOD

The contract period is a base of 20 months with two, 20-month renewable options. Renewal of options is at VA's discretion.

1.2 TYPE OF CONTRACT

The MSPV program is an Indefinite Delivery, Requirements Contract. By Requirements Contract, each VISN is required to order from their respective prime vendor, supplies or services in the estimated amounts specified in the contract for each VISN.

1.3 CONTRACT MODIFICATION

The authority to modify MSPV contracts rests solely with the VA National Acquisition Center (NAC) Contracting Officer.

1.4 NATIONAL STANDARDIZATION PROGRAM

Standardization of medical/surgical products is a continuous process within VA and products awarded under VA's National Standardization program are mandatory for VA facilities. National Standardization is accomplished by the National Acquisition Center in Hines, Illinois. Workgroups consisting of field clinicians evaluate candidate items identified for national standardization for acceptability. Contracts in support of National Standardization are normally for five years. Prime vendors are required to provide VA facilities with 100% of the Medical Surgical National Standardization products identified by facilities in their core item list.

PART 2 – IMPLEMENTING THE PRIME VENDOR PROGRAM AT THE FACILITY LEVEL

2.0 PLANNING

Good planning is the key to successful implementation of the Prime Vendor program. As you begin to plan, involve your key staff and some of your key customers. This is the time to assemble your implementation team. The implementation team may include your Materials, Distribution, and SPD Managers as well as your Information Technology Office and Fiscal. Although the change in distribution methodologies should be transparent to your customers, involving some of them in the early planning for implementation may relieve some of the natural concerns we all have when changes are applied. Ask your customers:

- What aspects of the delivery of your services would you like to see improved? What additional services do you need to do your job better? Determine if it is feasible to work those elements into whatever services you select from your prime vendor.
- How much do you want to be involved in planning the implementation?
- How much will you want to be kept informed of what is happening in the implementation?

Some customers may want a simple e-mail now and then; others may want periodic meetings. Meet your customer needs in this area, as they do have a vested interest in a successful transition in distribution.

In the planning phase, look at each area that will be affected by the transition to distribution under the Prime Vendor Program. Order generation and submission is a good place to begin. The mandate is to have customer inventories "officialized" or tracked through the Generic Inventory Package (GIP). Ensuring that these files are compatible with those of the Prime Vendor is very important. This will be discussed in more detail in a later section. Designate the individual that will be placing orders with your prime vendor, plan how you want the process to work internally, and how the process of receiving will be accomplished.

2.1 CONTINGENCY PLANS

Local procedures for contingency plans must be developed during implementation. The way in which your prime vendor plans to continue supporting your medical center if your prime vendor should suffer loss of computer operations or interruptions of facility operations due to floods, tornados, storms, etc. must be established. If you selected the Conventional distribution method, you will have some back-up stock. However, if you are receiving your deliveries Just-In-Time, you will not have sufficient inventory. Ascertain that contingency plans are in place to assure sufficient product availability. The type of natural disasters you need to plan for will vary depending on your location within the United States.

PART 3 – DETERMINING LOCAL REQUIREMENTS

Each facility has specific requirements to support the Department of Veterans Affairs. It is necessary to determine exactly what your local requirements are. You can determine your requirements using a variety of methodologies. However, whatever method you choose, it should incorporate the following basic ingredients:

3.0 Determine the processes that are currently in place for obtaining and distributing medical/surgical products to your customers within the medical center.

- Define the processes (flow charting may be useful).
- Look for unnecessary steps in the process.
- Talk to end users (SPD, OR, wards, etc.) to determine suitability of existing processes.
- Modify existing processes to eliminate duplication or unnecessary steps (i.e., make your process the best it can be.)
- Involve your warehouse, inventory management, purchasing, SPD staff and other customers in defining and modifying your processes.
- Don't forget to determine your requirements for your CBOCs and other satellite locations.

Example: An illustration of a local requirements determination may be a facility opting to stock open market items in the supply fund warehouse and ordering all medical/surgical items (Federal Supply Schedules, national, regional and local contracted items) from the Prime Vendor Program.

3.1 DETERMINE YOUR CORE ITEM LIST

A key foundation of the Prime Vendor program is identifying and providing the usage data to the prime vendor. Identifying the core item list to be purchased from the prime vendor requires facilities and the prime vendor to work closely together. Accurate cross-referencing of product files between medical centers and prime vendors is an important function that is done by prime vendors. Prime vendors may or may not use the same product supplier numbers within their internal order processing system.

Determining your core item list can be done via a copy of the procurement history file. Correct product usage data is the single most critical factor in a successful implementation. You must identify the fund control points included in the MSPV program. The following information should be included:

- Product Catalog Number
- Unit of Purchase
- Frequency of Purchase (i.e., weekly, monthly)
- Quantity Purchased

- Item Contract Number (FSS, National Standardization, VISN and/or local contracts)
- Price for the unit of purchase
- Packaging (i.e., multiples)

Facilities will provide prime vendors with a list of recurring medical/surgical items that will be purchased from the prime vendor, along with the usage data during the implementation phase. Recurring items are defined as those products that will be ordered by facilities at least once a month. This will become your CORE ITEM LIST. Prime vendors will cross-reference in their system. THE CORE ITEM LIST is dynamic and should be continually updated. Initial efforts to make these files consistent will take considerable effort, but consistent maintenance of the files during the life of the prime vendor contract is extremely important to ensure that facilities receive the products required.

The VA will not use the product numbers designated by prime vendors for order placement and other functions associated with the services provided by prime vendors. VA will use product numbers for items from the FSS contracts, National Standardization, VISN or local contracts. In addition to ensuring that your stock numbers are consistent, packaging designations must also be consistent. For example, if you have an item set up as a case and it contains 12 each, but the Prime Vendor has a box set up as a quantity of 12 each and a case as 4 boxes, when you order a case you may order 12 each, and get 48 each. Take the time to make sure your packaging designations are consistent with that of your prime vendor. Recurring and non-recurring items are defined as:

- **Recurring/Core Items.** Recurring/core items are defined as products ordered at least once a month. Each facility is required to provide their prime vendor with best estimated 30-day usage data for recurring products within 15 days from date of contract award. Recurring products must be priced by FSS, National Standardization, Basic Ordering Agreements with JWOD Nonprofit Agencies, VISN or local contracts. Recurring products will count against the fill-rate.
- **Non-Recurring Items.** Non-Recurring items are defined as products ordered less than once a month. Facilities will identify their non-recurring products that will be ordered under the MSPV Program. Non-recurring products must be priced by FSS, National Standardization, Basic Ordering Agreements with JWOD Nonprofit Agencies, VISN or local contracts. Non-recurring items will not count in the fill-rate calculation.

Facilities should coordinate and resolve with Prime Vendors any product usage data issues. Prime Vendors will reflect all product usage data changes in the next-scheduled monthly contract report. Prime Vendors are required to provide a core item list/usage report to each individual facility, and to each VISN COTR.

After reviewing your processes, examine the two distribution strategies available: Conventional and Just-In-Time (JIT). You can modify the level of service for each distribution method by considering the value-added services awarded to your respective prime vendor. (Value Added Services are described in detail in a later section.)

3.2 Determine your distribution method

The MSPV Program provides for two distribution methods Conventional Deliveries and JIT. After reviewing and improving your processes, examine the two distribution methods available.

The Conventional delivery method provides for next scheduled business day, up to 3 deliveries per week, excluding weekends and holidays, with a fill rate of 95% on core items, with delivery FOB destination, and 2 exterior receiving points for each Medical Center.

Just-In-Time deliveries allow for daily deliveries, up to 5 deliveries per week, excluding weekends and holidays, with a fill rate of 98% on core items and delivery FOB destination within Consignee's premises, one receiving point. Normally, facilities transition on to the JIT method after mastering the conventional method. Distribution fees on the JIT method are higher due to the frequency of deliveries per week.

Note: Value-added services allows you to tailor the level of service for your desired distribution method. Value-Added Services are described in detail in a later section.

3.3 Determine frequency of deliveries (weekly, bi-weekly, etc.) and identify facility delivery locations

Response time needed is a function of on-hand inventory levels within the medical center. Thus to determine frequency of deliveries, it is necessary to assess storage capacity, funds available, order cycle lead time, and stock levels that management deems appropriate.

For the purposes of our example, let us assume that SPD and the OR are short of storage space, funds are tight, and SPD is running Generic Inventory Package (GIP) using bar code scanners for inventory purposes. Because SPD is too small to hold most OR supplies, OR buys and stores most of their own supplies, SPD and OR are both able to order from the Prime Vendor Program.

Utilizing the Just-In-Time (JIT) distribution method permits both areas to be restocked significantly more often. How much more often is a function of the manpower available to inventory, order, receipt and stock supplies? For example, if supply levels were reduced to 2-3 days and orders were placed for replenishment everyday, is there now room in SPD to stock items previously in OR because of lack of space? Since the ordering technician is ordering 5 times/week instead of once per month, need forecasting is reduced from projecting need 30-60 days in advance (30 days of stock, plus lead time of 5-30 days), to projecting need 1-2 days in advance. Other considerations:

- Identify delivery locations such as the Warehouse, SPD, Pharmacy, etc., and time of delivery.
- Identify facility main points of contact for receiving, purchasing and accounts payable.
- Exchange emergency information (Prime vendor and facility personnel, email addresses and phone numbers).
- Establish the service routine for your Prime Vendor Representative on site (Weekly, bi-monthly, monthly) and the areas within the facility that you want them to visit.
- Establish a service routine for your Prime Vendor customer service representative (i.e., telephone contact frequency and timing, backorder communication and substitution availability).
- Identify product substitutes.
- Test your ordering system. ***EDI is the preferred method for order placement.*** Ensure that the system is fully tested with your prime vendor for your respective VISN. You will need to coordinate the EDI test process with your prime vendor. To test the system, generate an order for one each of every item that you have loaded for purchase from your prime vendor. Your prime vendor will need to check to insure that all of the items processed are in the system, and you will need to check to ensure that all of the items came back to you on the POA. You can set this test order up as a “dummy” order (will be canceled after both parties are satisfied their systems are working) or as a real order that will test the entire process from ordering to payment.

PART 4 – TRAINING PROVIDED BY THE PRIME VENDOR

During the 90-day implementation period, prime vendors will provide training at each facility's premises to properly process orders and receipts from prime vendors, to access on-line contract reports, and to use prime vendors' electronic catalog and ordering systems. Such training will be conducted at no expense to facilities. Contracting Officer Technical Representatives will determine the number of employees that will attend the training. Prime vendors will provide refresher training to each facility as needed. At a minimum, the training includes:

- The proper use of order entry devices
- How to process receipts
- How to access Prime vendor's inventory status
- How to maintain ordering system; downloading price changes and file maintenance
- How to download contractually required reports, including the prime vendor's database reports described in the "Administrative Reports" clause of this solicitation
- How to access credit and re-bill reports

Prime vendors and Contracting Officer Representatives will mutually agree on the date, time and location of the training. At no additional expense to the Government, prime vendors will provide each person that receives training one complete set of printed facility training guides or manuals and on-line context sensitive-help capability as an integral part of the price and product catalog and electronic order entry system.

PART 5 – CONTRACTING OFFICER TECHNICAL REPRESENTATIVE (COTR) DUTIES AND RESPONSIBILITIES

One of the most important people you will need is a person that will act as the Contracting Officer Technical Representative (COTR) to coordinate the prime vendor contract implementation for your VISN and to deal with issues that arise between the medical center and your prime vendor during the life of your prime vendor contract. The COTR is required to be fully knowledgeable of the prime vendor contract terms and conditions. The COTR should be heavily involved in all aspects of planning the implementation of the prime vendor program for the VISN.

The COTR is an extension of the National Acquisition Contracting Officer. Delegation of COTR duties and responsibilities is made by the National Acquisition Center, Hines, Illinois, Contracting Officer and such delegation cannot be further delegated by COTRs to any other individuals. COTR duties and responsibilities include:

- Provides product usage data to the MSPV contractor.
- Establishes any value-added services with the MSPV contractor and notifies the NAC Contracting Officer to modify the contract accordingly.
- Provides pre-established approved product substitutes to the MSPV contractor.
- Confirms all significant implementation requirements to the MSPV contractor and assists in the implementation of the contract.
- As appropriate, furnishes implementation information to the NAC Contracting Officer.
- Establishes the VISN delivery point(s) for products.
- Confirms all significant technical requirements to the Contractor.
- Furnishes contract performance feedback to the NAC Contracting Officer.
- Monitors the contractor's performance of the technical requirements of the contract to assure that performance is strictly within the scope of the contract.
- Ensures that delivery orders are made as authorized by the Head of Contracting Activity, and in accordance with contract requirements.
- Performs all pertinent functions related to the administration of delivery orders.
- Monitors the contractor's performance to ensure products are received timely.
- Ensures prime vendor is paid within the 15 day time period.
- Accepts or rejects (if applicable) services or products provided.
- Contacts the Prime Vendor representative for assistance in resolving minor discrepancies, delivery and pricing concerns etc. If applicable, notifies the NAC Contracting Officer of situation.
- Terminates individual delivery orders for default, if necessary.
- Recommends in writing to the NAC Contracting Officer any proposed contract changes along with a justification for the proposed/required change.
- Assures that changes in work under this contract are not implemented before written authorization or contract modification by the NAC.
- Acts as liaison between MSPV and NAC personnel, by:
 - Maintaining a working contract file showing actions taken.
 - Keeping the NAC Contracting Officer informed of current contract performance.
 - When applicable, reports and provides documentation to the NAC Contracting Officer of unresolved concerns.
 - Participates in conference calls, or performance surveys as deemed necessary.

The delegation does not authorize COTRs to take any other actions, including but not limited to the following, all of which remain the responsibility of the NAC Contracting Officer:

- Not authorized to make any contract changes. This includes changes involving increases and decreasing in contract price as well as no cost changes.
- Prohibited from requiring extras.

- Not authorized to render final decisions for disputes.
- Not authorized to terminate the contract.
- Not authorized to extend the contract beyond the contract expiration date.

PART 6 –AVAILABILITY OF PRODUCTS FROM THE PRIME VENDOR

6.0 Upon Contract Award. Within 30 days from date of contract award, prime vendors are required to establish commercial agreements with FSS, National, VA Standardization Program, JWOD Nonprofit Agencies, VISN and /or local Federal Government product contractors for 100% of the medical/surgical products and product suppliers identified by facilities in their product usage data. Prime vendors will service facilities with products identified in their product usage list within 30 calendar days from notification by facilities for requested products, or by the contract effective date, whichever is later.

6.1 After Contract Award. After contract award, prime vendors are required to establish commercial agreements with new product suppliers within 30 calendar days from notification by the NAC (for FSS, National Standardization and/or JWOD Nonprofit Agencies) and/or VISNS or local facilities (for VISN and local contracts). Prime vendors will service facilities with additional products within 15 calendar days from notification by facilities for requested products.

PART 7 – VALUE-ADDED SERVICES

Value-Added Services. In order to provide facilities different levels of service, the Prime Vendor program allows medical centers the flexibility to adjust their base delivery requirements such as frequency of deliveries, fill-rate, etc. Value-Added Services allow for tailoring of delivery services. It is possible that distribution fees could vary among facilities within a VISN since individual facilities may tailor their requirements and adjust the base distribution fee according to the value-added services selected. Determine which level of service will meet the facility's needs and/or whether you will want to modify the service selected. For example, if you select the Conventional Delivery Method (which provides for deliveries Monday through Friday) but need delivery seven days per week, your distribution fee for the Conventional Delivery Method may be adjusted upward to include the two additional delivery days. Value-added services vary by distribution method:

7.0 Value-added services - Conventional Delivery Method:

- One delivery per week
- Two deliveries per week
- 97% fill-rate
- Additional exterior delivery sites beyond the two required by the solicitation. (Delivery sites are located within the same Government complex).
- Shelf Life Greater Than Six Months
- Bar Code Labels
- Fill/Call
- Custom Pallet Architecture (fee for custom pallet architecture may be a flat fee per order or a percent adjustment to the base distribution fee)

7.1 Value-added services - Just-In-Time Delivery Method:

- Saturday Deliveries
- Sunday Deliveries
- 100% Fill-Rate
- Delivery to 2-4 Floor Delivery Locations
- Delivery to 5-7 Floor Delivery Locations
- Shelf Life Greater Than Six Months
- Bar-Code Labels
- Fill/Call
- Custom Pallet Architecture (fee for custom pallet architecture may be a flat fee per order or a percent adjustment to the base distribution fee)

Facilities may change their delivery service levels and/or value-added services by providing 15 days advance notice to the prime vendor.

PART 8 – PRODUCT SUBSTITUTIONS

Acceptable levels of performance require at least a 95% fill-rate for core items for the Conventional Method, 98% for Just-In-Time. It is the intent of facilities to be serviced with the items identified in their product usage list, not product substitutes. However, the establishment of a substitution list with your prime vendor can be very important to you in those circumstances where an outage, for whatever reason, occurs.

During the implementation period, prime vendors will assist facilities with the identification of acceptable product substitutes for products identified in their core item list. Product substitutes are products established by FSS contracts, JWOD Non Profit Agencies, National Standardization, VISN and local VA contracts.

Prime vendors are prohibited from automatically substituting products without first obtaining approval from facilities. If a prime vendor cannot fill an order for a product included in the facility's product core item list, the prime vendor will notify the facility with the reason the requested product is not available, and will suggest possible suitable product substitutes from the established list. Prime vendors are precluded from suggesting self-manufactured or private label products without also suggesting at least one competitor's product. Facilities will decide whether to accept product substitutes or to cancel unavailable items from the order. Product substitutes will count against the contract fill-rate, excepting the conditions specified below:

- Non-recurring items (items ordered less than once a month)
- Products ordered in quantities exceeding the facility's 30-day usage by more than 10% per month.
- Products ordered during the first 60 days of the base period contract performance.
- New products added to the recurring item list during the first 30 days after notification by the facility.
- *Manufacturer Back Orders resulting from the non-availability of products by product suppliers directly to prime vendors.

***Note: Backorders due to reasons that can be prevented by the prime Vendor (e.g., low prime vendor inventories, long prime vendor/supplier delivery lead times, poor prime vendor logistical planning) for product that are available from product suppliers to prime vendors ARE NOT considered manufacturer back orders.**

You must monitor substitution of products to ensure substitutions do not become a routine business practice with prime vendors. This can be especially true for brand name products or for prime vendors' own in-house products.

PART 9 – FILL RATES

Prime vendors are required to maintain a daily contractual fill-rate report per delivery order and monthly fill-rate for each individual facility for the base period and for each option period exercised. Prime vendors are required to calculate fill-rates daily per purchase order, for all recurring items included in the delivery order. Fill-rates will be shown on the delivery receipt upon delivery to facilities. The monthly fill-rate will be the average calculated by adding all the individual purchase order fill-rates and dividing by the number of orders. Failure by prime vendors to meet the required delivery order fill-rate per facility may result in adverse contract performance evaluation, assessment of

liquidated damages, termination of purchase order for default, and/or may affect exercise of option periods. Fill-rates for facilities allowing backorders will be calculated on the first release made on the order. Wrong products shipped to facilities due to prime vendor's fault will count against the fill-rate. Killed items, product substitutes, and split shipments for recurring items will count against the fill-rate, Exclusions to the required contract fill-rates are:

- Non-recurring items (items ordered less than once a month)
- Products ordered in quantities exceeding the facility's 30-day usage by more than 10% per month.
- Products ordered during the first 60 days of the base period contract performance.
- New products added to the recurring item list during the first 30 days after notification by the facility.
- Manufacturer Back Orders resulting from the non-availability of products by product suppliers to prime vendors.

Fill-Rate Calculation. Fill-rates are calculated as:

Number of Recurring Line Items Received in Full on the Scheduled Delivery Date Per Purchase Order
Divided by
Total Number of Recurring Line Items Ordered Per Purchase Order

- The line item fill-rate is one of two values: 0% or 100%. No credit will be given for partial shipments within a line item.
- A line item will receive a fill-rate of 100% only when the entire line item is *correctly and completely filled and the entire item is received on the required scheduled delivery date.
- A line item will receive a fill-rate of 0% when not ***correctly or completely** filled in its entirety on the required scheduled delivery date.
- NOTE: Incorrect items received by facilities will count against the fill-rate.

An example of the purchase order fill-rate calculation is demonstrated below:

A facility places an order for three line items, quantity of ten units per line item. The prime vendor fills the order as follows:

Line 1, 10 delivered → Line Item 1 Fill-Rate = 100% (shipped complete)
Line 2, 5 delivered → Line Item 2 Fill-Rate = 0% (partial received)
Line 3, 0 delivered → Line Item 3 Fill-Rate = 0% (not received)
Purchase Order Fill Rate = 33%

If prime vendors fail to deliver the supplies or perform the services within the time specified by the contract, and in accordance with the fill-rate definition of the contract, prime vendors may, in place of actual damages, pay to the Government liquidated damages of \$250.00 per order.

Should the VANAC Contracting Officer terminate the prime vendor contract for your VISN in whole or in part under the termination for cause clause, the Prime Vendor is liable for liquidated damages accruing until VA reasonably obtains delivery or performance of similar supplies or services. These liquidated damages are in addition to excess costs of repurchase under the termination clause. Facilities are prohibited from charging prime vendors liquidated damages when the delay in delivery or performance is beyond the control and without the fault or negligence of the Prime Vendor.

PART 10 – EMERGENCY DELIVERIES

Emergency deliveries apply to items requiring expedited delivery. Prime vendors will provide a minimum of two emergency shipments for each delivery account on a monthly basis at no additional charge. Emergency deliveries will be made within 12 hours after receipt of order. Drop shipments are authorized for emergency deliveries only. Prime vendors will not be responsible for transportation charges for emergency deliveries resulting from negligence by the government or due to acts of nature.

PART 11 – PRODUCT PRICES

VA is responsible for establishing and providing to prime vendors the product prices for all items covered by the Prime Vendor program. To this end, The National Acquisition Center (NAC) will furnish the Prime Vendors the products and prices established by the existing Federal Supply Schedule Program and contracts awarded in support of VA's National Standardization program.

You will need to establish contracts for medical/surgical items required by your facility and not included under the FSS program or VA National Standardization. You may wish to consider combining your requirements with those of other facilities in your VISN, and competing and awarding the items. Be sure to specify in your solicitation that the prices bid may not include any distribution costs since you intend to have those products distributed through the Prime Vendor Program. Once your regional and/or local items are awarded, provide your prime vendor with the product list and the respective product prices. Remember that facilities are responsible for providing their respective prime vendors with the prices for products awarded on VISN or local contracts.

11.0 Federal Government Product Prices

- The National Acquisition Center will provide the Prime Vendors with FSS, VA National Standardization and JWOD Nonprofit Agency product prices at time of award and twice a month thereafter, at the following Web Address:
 - <http://www.va.gov/oamm/nac/ncs/mspv.htm>
- Facilities may access all FSS and National Standardized items at the following web address:
 - <http://www1.va.gov/oamm/nac/secr.htm>
- Instructions for accessing the above database:
 - >At the bottom click on the zip file link
 - >Select "save" -- recommend save to your desktop
 - >After a very long minute -- select "open"
 - >Select "extraction files"
 - >No matter what error message you get, look at your desktop and try to open. The file will open.

11.1 Product Price Loading

Upon notification by VANAC, prime vendors will load contract actions, including price changes, product additions and deletions, contract extensions, and contract expirations by 6 a.m. Eastern Time (EST) of the effective date of the change for products on FSS contracts, products provided by JWOD Nonprofit Organizations, and for products awarded under VA's National Standardization Program. Facilities are required to provide their prime vendor the product prices and subsequent price changes for VISN or local contracts. For the most part, effective dates for FSS contract changes are the 1st and the 15th day of each month. Be aware that if a price change to a FSS or Nationally Standardized item is effected close to the cut off, it may not make the 1st or the 15th of the month download and prime vendors will not have the price changes. This could create price discrepancies. Prime vendors are responsible for keeping up-to-date with any price changes reflected by the database.

Prime Vendor ordering systems will show the product price updates and contract (FSS, National BPA or other Federal government contract) expiration dates on the prime vendor's ordering screen. Prime Vendor facility service representatives will monitor contract expiration dates on usage items from facilities, and prime vendors will notify facilities 30 days in advance of any contract expirations affecting product usage data.

Prime vendors are required by the contract not to honor any price changes furnished directly by Federal Government product contractors. The NAC is the only entity authorized to approve any price changes for products on Federal Supply Schedule contracts and for products in support of VA's National Standardization program. Contract changes are not official until approved by the National Acquisition Center.

PART 12 – ORDERING METHODS

Facilities will place orders in some form of electronic manner as per direction of the VA. In the event EDI or prime vendor's systems are not functional, prime vendors will accept orders by alternative methods such as via fax or telephone—this should be the exception rather than the rule. There is no limit on the number of orders placed in a day, but prime vendors are required to consolidate orders for a single delivery to facilities on the next scheduled delivery date. Prime vendors will accept emergency orders and modifications to delivery orders via fax or telephone. Below are the numerous ordering methods. Fax and Telephone orders should be used sparingly.

- **Fax Orders.** The IFCAP routine you will be using with your auto generated replenishments is the standard purchase order routine, producing a purchase order copy would be automatic. This purchase order can be used for your fax.
- **Telephone Orders.** Telephone orders are the most labor intensive and are discouraged. Telephone orders should only be used in emergency situations.
- **Web-Based Ordering System.** Prime vendors will provide each facility a Web-Based Ordering System accessible through the Internet via any standard web-browser within the 90-day implementation period. The Web-based ordering system will be easily accessible to facilities and will allow facilities to perform product queries, access contract reports, receive order confirmations, track and/or place orders for the products covered by the MSPV program. The Web-based ordering system will show the contract prices. The account will be password-protected and run in secure mode.
- **EDI ORDERING.** This is the preferred method of order entry. The centralized EDI system at the Austin Automation Center (AAC) presently processes EDI transactions every ½ hour beginning at 6:00 AM and ending at 8:30 PM, Monday through Friday excluding holidays.
 - This can be done two ways; either via the “Delivery Order Menu” or the “Purchasing Agent” menu.

ORDER PLACEMENT VIA EDI THROUGH THE DELIVERY ORDER MENU

Your typical delivery order to the prime vendor will flow as follows:

Step 1 – Autogenerate the Primary: After completion of bar code inventory of all secondary inventory points and decrementing the primary inventory point, enter the Primary Inventory Point menu and auto generate orders by creating a repetitive item list by the selected vendor (Med/Surg Prime Vendor).

Select Primary Inventory Point Main Menu Option: auto-generate Orders

(695) Primary Inventory Point: SPD

===== PART 1: REPETITIVE ITEM LIST NUMBER =====

COST CENTER: 828100

Select CONTROL POINT NAME: 081 SPD 0160A1 10 0100 0100441S9

Select FISCAL YEAR: 05//

Select QUARTER: 1//

I will generate requests for: 695-05-1-081-828100

===== PART 2A: SELECTION OF GROUP CATEGORIES =====

Selected group categories and vendors will be used to auto-generate the order.

Do you want to select ALL group categories? YES// n (NO)

Select GROUP CATEGORY: mspv MEDICAL SURGICAL PRIME VENDOR

selected !

===== PART 2B: SELECTION OF VENDORS =====

===== PART 3: START AUTO-GENERATION =====

ARE YOU SURE YOU WANT TO START AUTO-GENERATION? YES// (YES)

<<< Starting Auto-generation ...

% COMPLETE

0 10 20 30 40 50 60 70 80 90 100

|-----+-----+-----+-----+-----+-----+-----+-----+-----+-----|

<<< Finished !

<<< Creating repetitive item list ... Number: 695-05-1-081-828100-0205

<<< Locking repetitive item list ...

<<< Adding 41 items to repetitive item list ...

% COMPLETE

0 10 20 30 40 50 60 70 80 90 100

|-----+-----+-----+-----+-----+-----+-----+-----+-----+-----|

Total number of items : 41

Total cost (all items): \$ 5516.30

<<< Unlocking repetitive item list ...

Do you want to print errors occurring during auto-generation? YES// n (NO)

Do you want to print items with groups not selected? YES// n (NO)

Do you want to print items which were not ordered? YES// n (NO)

DEVICE: HOME//

Step 2 - Create Delivery Order From Repetitive Item List, you will need to enter the REPETITIVE ITEM LIST ENTRY NUMBER from your autogeneration.

ENTER A NEW DELIVERY ORDER NUMBER OR A COMMON
NUMBERING SERIES

Are you adding '695-V50022' as a new Purchase Order number

Edit request 695-V50022? Yes//

P.O. DATE: NOV 16,2004//

METHOD OF PROCESSING: INVOICE/RECEIVING REPORT//

ESTIMATED ORDER?: N// NO

INVOICE ADDRESS: FMS// -3-XXX

PCDO VENDOR: VENDOR XXX-MSPV-EDI//

FCP: 081 SPD//

COST CENTER: 828100//

DELIVERY LOCATION:

SHIP TO: VA MEDICAL CTR (XXX)//

F.O.B. POINT: DESTINATION// DESTINATION

DELIVERY DATE: TODAY+10// T+1 (NOV 17, 2004)

PROPOSAL: N/A//

EST. SHIPPING AND/OR HANDLING:

Select LINE ITEM NUMBER: 41//

All fields can be edited, pay close attention to the CONTRACT/BOA #: field, this MUST be filled in or the item cannot be ordered on a delivery order.

Also according to the terms and conditions of the contract, make sure that you enter net 15 in the following field. THIS MUST BE EDITED ON EACH ORDER SINCE THE DEFAULT IS NET 30.

Select PROMPT PAYMENT PERCENT: NET//

DAYS (TERM): 15//

Review Delivery Order ? YES//

Do You Want to Send This EDI?: If you have set the EDI to be sent without obligation, you will receive this prompt.

ELECTRONIC SIGNATURE CODE:

Thank you.

Print Delivery Order? YES//

DELIVERY ORDER SETUP CHECK LIST. The delivery order menu options are for use with the EDI functionality in IFCAP and the Med/Surg Prime Vendor program. Use of the delivery order menu eliminates the need for entering a 2237 and then converting that 2237 to a purchase order. All items ordered must have a valid contract number (i.e., FSS, National Standardization, etc.) Delivery orders work with manual entry and with the auto-generation feature in GIP. Receipt of delivery orders using the delivery order menus automatically posts receipts to your GIP inventory. A built in safe guard is the restriction that the same person who places a delivery order cannot receive that order.

The following steps will need to be accomplished to make the system work:

- Request delegation of authority from your VISN Head of the Contracting Activity (HCA) for all designated Delivery Order users.
- Request IRM to establish:
 - Mail group "EDP" and enter user names that should receive EDI messages from Austin. Everyone listed in this group will receive all EDI messages.
 - Delivery Order Menus (PRCH DELIVERY ORDER MENU) a key can be created by you IRM to hide two Pharmacy delivery order menus so that you end up with the following menus.
 - Enter Delivery Order [PRCH ENTER DELIVERY ORDER]
 - Edit Delivery Order [PRCH EDIT DELIVERY ORDER]
 - Create Delivery Order From Repetitive Item List [PRCH CREATE DEL ORDER]
 - Amendment To Delivery Order [PRCH AMEND DELIVERY ORDER]
 - Receive Delivery Order [PRCH RECEIVE DELIVERY ORDER]
 - Convert Delivery Order to a 2237 Request [PRCH DEL ORDER TO 2237]
 - Cancel an Incomplete Delivery Order [PRCH CANCEL DO ORDER]
 - Display Delivery Order [PRCH DISPLAY DELIVERY ORDER]

- Fiscal will need to establish each user as a control point clerk for the control point that will be used to purchase the medical/surgical items from the Prime Vendor program.
- IFCAP Coordinator will need to establish the Delivery Orders. Use the "**Establish Common Number Series**" menu under the IFCAP Coordinators Menus.

NOTE*Setting up the EDI Vendor is done by setting up the Vendor using the EDI Vendor ID, which is sent out by the EDI staff in Austin. You can call the EDI Help desk at 512-326-6463 to obtain the EDI vendor ID or verify that a Vendor is in fact EDI with the VA.**

- IFCAP Coordinator will need to establish the Prime Vendor as an EDI Vendor using the "EDI Vendor Edit" option under the IFCAP Coordinator Menus. Vendor and EDI information:

Select IFCAP Application Coordinator Menu Option: EDI Vendor Edit

When asked the following, indicate YES

EDI VENDOR?: YES//

- IFCAP Coordinator will need to verify that a Receiving Location has been set up for the Prime Vendor in your Site Parameters. The receiving location should look something like this:
 - RECEIVING LOCATION: VAMC PRIME VENDOR//
 - RECEIVING LOCATION: VAMC PRIME VENDOR//
 - STREET ADDR.1: Your street//
 - STREET ADDR.2:
 - STREET ADDR.3:
 - CITY: Your city//
 - STATE: Your State//
 - ZIP CODE: Your Zip//
 - DELIVERY HOURS: 8:00 AM to 4:00 PM Monday thru Friday

SHIP TO SUFFIX: Three digit number assigned by the EDI help desk staff in Austin //

NOTE: If the location is not set up in your IFCAP System, your EDI order will reject. If it is not set up, your IFCAP Coordinator can establish one by calling the VA EDI help desk staff, at 512-326-6463.

There are several options for processing the EDI transmission.

Once the user signs the delivery order it will electronically go to Accounting for obligation. After the Accounting Tech obligates the document the EDI message will be transmitted. With EDI orders timing is important. Accounting should obligate the order as soon as received to make the best use of electronic ordering. **There is a flag that can be set to allow EDI orders to be transmitted without fiscal obligation. Doing this is a station decision.**

Some Prime Vendors can take Purchase Card orders via EDI and these do not require obligation. Decrease the amount of time from when the order is placed and when the Prime Vendor receives the order to process it. Contact the EDI help desk for a complete list of those vendors.

Be aware that in order to get next day delivery, Prime Vendors will require receipt of orders no later than noon, local time. If an order needs to be obligated by Fiscal, make sure this is done as soon as possible. Otherwise, this may delay receipt of the order by the prime vendor by noon, local facility time, and could result in late deliveries.

After the EDI order is placed, your station should get back several EDI reports within two hours. You need to be aware of these reports, review them. The reports will be sent via EDP mail group. Employees that place EDI orders should be part of this group.

Once the purchase order has been completed by the PA (including the obligation of funds), a hard copy printout of the purchase order is sent to the local A&MMS printer. A new message "****EDI ORDER*** DO NOT MAIL" appears on the printout directly below the vendor and ship to information (Figure 1).

ISSUING OFFICE:		REQUESTING SERVICE:	
Veterans Administration Medical Center		A&MM (90)	
1901 S. FIRST STREET			
ANYCITY, TX 76504		DEL. TO: WAREHOUSE BLDG. #44	

VENDOR:		:	SHIP TO:
XYZ INC		:	WAREHOUSE A32372
SUBSIDIARY OF ABC, INC.		:	V.A. Medical Center
100 PRIMARY RIVER		:	BUILDING 44
HOKEY POKEY NY 02920		:	1901 SO 1 ST
		:	ANYCITY, TX 76504
		:	
ACCT # 12345/ 6789 / B-1234		:	DELIVERY HOURS:
800-111-1234		:	8AM to 4PM
		:	
EDI ORDER DO NOT MAIL		:	

Figure 1. EDI Order Message

Upon successful transmission of a purchase order to an EC/EDI vendor, a purchase order acknowledgment is sent by the Prime Vendor to the AAC. This purchase order acknowledgment is then forwarded by Austin to the local field site that originated the purchase order.

***Next look for the Activity report to make sure the order was accepted in Austin.

EDI PURCHASE ORDER ACTIVITY REPORT				PAGE 1	
STATION 200				DATE 03/20/2004	
				TIME 10:15:50	
PURCHASE ORDER TRANSACTION (PHA) ACCEPTED					
REFERENCE #	DATE PROCESSED		TIME PROCESSED		
200A50111	1995079		08:35:30		
TOTAL PURCHASE ORDERS (PHA) ACCEPTED					1
EDI PURCHASE ORDER ACTIVITY REPORT				PAGE 1	
STATION 200				DATE 03/20/2004	
				TIME 10:15:50	
PURCHASE ORDER TRANSACTION (PHA) REJECTED					
REFERENCE#	SEG	DATE	TIME	ITEM#	FIELD FIELD CONTENTS
200A50112	IT	1995079	08:36:45	2	VEN PRDCT NUMBE
200A50113	DE	1995079	08:38:15	4	DESCRIPTION
200A50115	VE	1995080	08:43:05		VENDORNBR OJ3T5
TOTAL PURCHASE ORDERS (PHA) REJECTED					4
EDI PURCHASE ORDER ACTIVITY REPORT				PAGE 1	
STATION 200				DATE 03/20/2004	
				TIME 10:15:50	
SUMMARY OF ACTIVITY DURING THIS CYCLE					
TOTAL PURCHASE ORDERS (PHA) REJECTED					4
TOTAL PURCHASE ORDERS (PHA) ACCEPTED					1
TOTAL PURCHASE ORDERS (PHA) RECEIVED					5
TOTAL PURCHASE ORDER ACKNOWLEDGEMENTS (PAS) RECEIVED					0
*** END OF REPORT ***					

Figure 2. EDI Activity Report

Most of the time these rejects are caused by the following:

- Vendor Product Number: 200A50112 rejected because line item number 2 did not have any data in the vendor product field in the purchase order. To correct this, amend the purchase order and add something to the vendor product field for line item number 2 and EDI Retransmit the purchase order.
- Line Item Description: 200A50113 rejected because the last line of description for line item number 4 was blank. To correct this, amend the purchase order and delete the last line of the description that is blank for line item number 4 and EDI Retransmit the purchase order. If this line item is in the item master file, it will also need to be amended.
- Vendor EDI Number: 200A50115 rejected because the EDI vendor used in the purchase order had an EDI Vendor ID Number of OJ3T5, which is not in the EDI Table in TSO. To correct this, view the vendor information by accessing the Austin Automation Center's mainframe using TSO (See EDI User's Handbook, Section 4.2 paragraph 7) or call the EDI Help Desk and obtain the correct number, edit the EDI Vendor ID Number to the correct number, and EDI Retransmit the purchase order. In this case the correct number should have been 0J3T5.

If the purchasing agent is unsure of the status of the purchase order or a specific line item, they should verify the line item status in the IFCAP purchase order display option.

PURCHASE ORDER: 674-G51039		STATUS: Partial Order Received	
M.O.P.: INVOICE/RECEIVING REPORT		LAST PARTIAL RECD.: 1 07/25/2004	
		REQUESTING SERVICE: A&MMS	
VENDOR:	XYZ SUPPLY DIVISION	SHIPTO:	WAREHOUSE
	GOVERNMENT SALES		V.A. Medical Center
	123 NORTH SOUTHWOOD		BUILDING 44
	WALKING, IL 60085		1901 SO 1 ST
	800-111-1234		TEMPLE, TX 76504
		DELIVERY HRS:	
EDI ORDER DO NOT MAIL		8AM TO 4PM	
		DELIVERY LOCATION:	WHSE BLDG. #44

FOB POINT: DESTINATION	PROPOSAL: n/a	AUTHORITY:
COST CENTER: 600000		FAR 13
TYPE: PURCHASE ORDER		AGENT:
DELIVER ON/BEFORE 7/28/2004	CONTRACT:	JANE DOE
DISCOUNT TERM: NET 30		DATE: 7/19/2004
APP: 36x4537-1111		
		TOTAL: 1409.48

ITEM	DESCRIPTION	QTY	UNIT	UNIT COST	TOTAL COST
1	BASIN, EMESIS, PLASTIC KIDNEY SHAPED, DISPOSABLE, GRADUATED FROM 100 TO 500CC STK#: 13748-MAV NSN: 6530-00-836-8134 QTY PREV RCVD: 1 PARTIAL NO.: 1 EDI STATUS: #1: ITEM ACCEPTED AND SHIPPED QTY: 3 Items per CS: 500 BOC: 2698 FMS LINE: 001	4	CS	36.07	144.28
2	ANESTHESIA SET, SPINAL, DISP., STERILE, 10 PER CASE (PHARMASEAL) (4380) STK #: P5504D NSN: 6515-01-113-8334 QTY PREV RCVD: 1 PARTIAL NO.: 1 EDI STATUS: #1 ITEM ACCEPTED AND SHIPPED QTY: 1 #2: ITEM BACKORDERED QTY: 4 Items per CS: 10	5	CS	112.70	563.50

ENTER '^' TO HALT:

Figure 4. Example of P.O. information after POA received

Listed below are the critical data elements used in the matching process:

- Purchase order number (mandatory)
- Line item number (mandatory)
- Vendor stock number (mandatory)
- Manufacturer's product number (optional)
- National Drug Code (optional for drugs only)
- Quantity (mandatory)
- Unit of measure (mandatory)
- Unit cost (mandatory)
- FOB point (optional)
- Prompt pay discount terms (optional)
- Discount percentage or amount
- Discount days

Data elements labeled "mandatory" will be provided by all EC/EDI vendors. Data elements labeled "optional" will be provided by only those EC/EDI vendors capable of doing so.

As indicated above, the EC/EDI component of IFCAP will provide PAs with improved status information about goods ordered from EC/EDI vendors. IFCAP will take the status information for each line item received in the POA transaction and provide the line item status in the purchase order display option of IFCAP. The following six messages will provide line item status information.

- AC - Item accepted and shipped
- AR - Item accepted and released for shipment
- BP - Item accepted, partial shipment, balance backordered
- IB - Item backordered
- IH - Item on hold (i.e., an order was placed for a narcotic drug. The order is held pending receipt of a Drug Enforcement Agency (DEA) form.)
- IR - Item rejected (i.e., vendor was unable to identify the item requested or the item has been discontinued.)

As a general rule, vendors who can provide purchase order acknowledgments will do so within 48 hours of receiving an electronic purchase order.

If you have any questions or need any training at your station feel free to call the EDI taff in Austin, at 512-326-6463.

Order Cut-Off Time. As stated earlier, facilities are required to place orders before 12:00 noon (facility local time) on the day before their next regularly-scheduled delivery.

Order Confirmation Price. The date of the order confirmation establishes the delivered unit price in effect (e.g., if on the date of order confirmation the delivered unit price is \$3.00, but on the date of order delivery the delivered unit price is \$3.50, the correct billing amount is \$3.00.)

EDI Order Confirmation. Prime vendors are required to generate EDI order confirmations to ordering facilities within two hours after transmission of EDI orders in accordance with ASC X12 Standard, 855 transaction set. Prime Vendors will access the value added network (VAN) throughout the day at frequencies that allow for provision of order confirmation within the two-hour time required. (Note: VA sends and receives information to VANs every ½ hour between the hours of 6:00 a.m. and 8:300 p.m. Central Time.)

Confirmation on other than EDI Orders. Confirmation to ordering facilities for facsimile orders will be made by prime vendors within two hours of receipt of order. Telephone orders will be confirmed immediately by prime vendors. An order confirmation for item substitutes will be made by prime vendors within four hours. Confirmation on other than EDI orders may be made by prime vendors via fax or via e-mail. If an order confirmation is placed via e-mail, any attachments should be in the format used by the facility to place the order, e.g. Comma Delimited Text File (*.csv), MS Excel™ Spreadsheet (.xls) , or MS Access™ Database (.mdb). Facilities will decide on the format that will be used.

Confirmation Content. Prime vendors will provide the order confirmation in identical sequence to the facility purchase order. The packing list price will be identical to the confirmation price. All unfilled or partially filled purchase order line items will be listed on the order, and non-contract items will be shown as rejected. Facilities will be able to print the confirmation. At a minimum, the order confirmation will include the following information:

- Prime Vendor Name
- Prime Vendor Contract Number
- Facility Name
- Facility Purchase Order Number
- Federal Government Product Prime Vendor Item Number
- National Item File Number (when implemented)
- Item Description
- Unit of Purchase/Packaging Multiple
- Quantity Ordered

- Quantity Confirmed
 - Status of Non-Confirmed Line Items/Quantities
 - Note for Pre-approved Product Substitution (yes/no)
 - Line Item Unit of Purchase Price
 - Line Item Total Cost
 - Total Cost of Order
 - Identification of Cancelled Items
-
- Purchase Orders are sent to the EDI system when an order is obligated by Fiscal or, if the order does not require obligation, when the order is signed by the Purchasing Agent. In summary, if an order is signed by the Purchasing Agent in the afternoon and needs to be obligated by Fiscal and Fiscal does not obligate the order until the next morning, the order will be sent to the EDI system the morning of obligation.
 - Purchase orders requiring expedient delivery are FOB Origin. This will authorize shipping charges on the order and receiving report. When the FOB is left Destination, no shipping charges are authorized and the vendor must file a reclaim for the respective shipping charges.

EDI/GIP. USE OF THE GENERIC INVENTORY PACKAGE (GIP) AND ELECTRONIC DATA INTERCHANGE (EDI) WITH THE PURCHASING AGENT MENU

Once you have selected all items that are to be distributed by your respective prime vendor, you will need to build repetitive item lists. Note that you must exercise great care with EDI order transmissions to your prime vendor in the identification of precise vendor item numbers, price, unit of purchase, and packaging multiples. If these fields are in error, EDI transactions will reject either at Austin or by the prime vendors.

Once your GIP system is set up and running, your typical order to the prime vendor will flow as follows:

Step 1 -- After completion of bar code inventory of all secondary inventory points and decrementing the primary inventory point, enter the Primary Inventory Point menu and auto generate orders by creating a repetitive item list by the selected prime vendor.

Step 2 -- In the Fund Control Clerk Menu create a 2237 from the repetitive item list.

Step 3 -- In the Fund Control Official Menu, approve the transaction.

Step 4 -- In the Accountable Officer Menu, process the request to P&C.

Step 5 -- In the Purchasing Menu, assign the request to a Purchasing Agent.

Step 6 -- In the Purchasing Agent Menu, create a new Purchase Order by selecting the prime vendor.

Step 7 -- Have the order obligated by Fiscal Service in the Accounting Technician Menu.

Step 8 -- Once obligated by Fiscal Service, your order automatically transmits to the Austin Data Processing Center where it is translated into a standard EDI transaction set. You will receive from Austin an Activity Report indicating whether or not your purchase order was accepted or rejected by Austin. If it is rejected, you must correct the entry and retransmit the order. If your order is accepted by Austin, it is electronically forwarded to your prime vendor.

Step 9 -- For each item accepted by the prime vendor, you will receive a Purchase Order Acknowledgment (POA). You will need to verify that each item ordered is being shipped, cancelled, or back ordered. (NOTE: Refer to the EDI User's Handbook for complete details.)

Step 10 -- For each item not being shipped, the inventory manager must determine whether or not to utilize a secondary source for immediate shipment or wait until the item is available from the prime vendor.

Step 11 -- For each item not being shipped, the inventory manager must cancel due-ins established for the items that were automatically created when the 2237 was sent to the purchasing agent.

As can be seen from the above, there are quite a few steps involved in processing orders in this manner. The efficiency of this process can be enhanced by the delegation of authority to inventory managers. By delegating the accountable officer and purchasing agent authority and the associated IFCAP menus to the inventory manager, Steps 1 through 6 and 8 through 11 can be handled by one individual and done sequentially. To further insure timeliness of this process, it is recommended that an arrangement be made with Fiscal Service so that prime vendor orders can be obligated immediately at Fiscal Service.

If the Purchasing Agent Menu options are used, there is a flag that can be set, to allow EDI transmission without Fiscal obligation, which can speed this process.

Alternatives to the Recommended Method of Procedure. (This method should be used sparingly). At times, you may have to FAX your orders instead of using EDI. By choosing this option, Steps 1 through 7 above will remain the same. Steps 10 and 11 will remain the same because the inventory manager will still need to cancel due-ins for cancelled items and make decisions about re-procuring the item from another source.

Use of GIP without bar code functionality. The steps above remain the same with this alternative; however, all line item information must be manually input.

PART 13 –UNFILLED ORDERS

Unfilled/partially-filled orders will be processed in the following manners as directed by facilities.

Fill/Kill. The prime vendor will kill an order or any unfilled portion from an order, unless facilities approve the delivery of substitute products. Killed items will count against the fill-rate except in conditions noted in Part 8 above.

Fill/Call. Facilities can either have an unfilled order or a portion of an unfilled order either killed (cancelled) or allow the undelivered items be backordered. Prime vendors will first call facilities and obtain a decision. Fill/call items will count against the fill-rate, excepting the exclusions listed in Part 8 above.

Back Orders. Facilities may accept backorders on unfilled items and/or orders. Fill-rates for facilities on backorders will be calculated on the first release of the order. Backorders will count against the fill-rate, or excepting the conditions in Part 8 above.

PART 14 –DELIVERY OF PRODUCTS

Delivery Time. Unless otherwise agreed between the facility and the prime vendor, prime vendors will make deliveries between the hours of 8:00 a.m. and 12:00 noon, ordering facility local time, to the delivery point(s) specified on the order.

Delivery of Recurring/Core Products. The prime vendor will provide one consolidated delivery and one invoice per purchase order for all core products ordered by facilities since the previous delivery by the required delivery date. Shipments to a facility for products not located at the Prime Vendor's primary distribution center servicing the facility will be seamless to the facility, and will be delivered with the facility's regularly scheduled consolidated delivery. Facilities may reject any split shipments for core items. Split shipments on core items to facilities will count against the fill-rate, excepting the conditions at Part 8 above.

Delivery of Non-Recurring/Non-core Products. The delivery time for non-recurring items will be negotiated between prime vendors and facilities. If a Prime Vendor does not stock a non-recurring item that the facility requests, do not expect delivery on the next scheduled delivery. Drop shipments are authorized in the delivery of non-recurring products. Delivery for non-recurring products will be F.O.B. Destination and the prime vendor will bear all transportation costs incurred in providing non-recurring products to facilities. VA is responsible for delivery charges incurred by the prime vendor for expedient deliveries of non-core items.

Drop Shipments. Drop shipments increase facility administrative costs and resources. The prime vendor is required to maintain sufficient inventory levels for items identified on the core item list from facilities and deliver those products from such inventory to facilities on the required delivery dates. Unless approved by the facility, drop shipments directly from product suppliers to the facilities are prohibited. Prime vendors will indicate in the order confirmation any line items authorized by facilities as drop shipments. Prime vendors will perform all billings associated with drop shipments. Prime vendors will be responsible for transportation costs on drop shipments authorized by facilities, unless drop shipments are necessitated due to the negligence of the Government.

Shelf Life. Prime vendors are required to provide products with a shelf life or an expiration date of no less than six months life remaining upon delivery to the Government, unless the facility authorizes a product with a shorter shelf life. On products with an initial expiration date or shelf life of less than six months, at least 75% shelf life dating will remain at time of delivery to the ordering facility.

Note that you may request a longer shelf life under the value added services.

Packaging and Packing. Your products from prime vendors will be grouped, packed, labeled and separated by individual purchase order number for ease of receipt. Prime Vendors are required to make the purchase order number clearly visible on each pallet. (If you require more specialized packaging, refer to the Value-Added services section for custom pallet architecture.

Packing List. Packing lists will be included with every shipment. The packing list will be in identical line item sequence to the purchase order placed by the ordering facility. Prime vendors are required to indicate the quantity filled on partially-filled items. All unfilled or partially filled items will be listed and will be marked as either “Unfilled”, or “Partially-Filled”. The packing list will be provided in paper "hard copy" format to the place and time of delivery. The packing list price will be identical to the confirmation price for each item delivered and will include the following information:

- Facility Name
- Facility Purchase Order Number
- Product Contractor Product Number
- Prime Vendor Name
- Prime Vendor Contract Number
- Prime Vendor Product Number
- National Item File Number (when implemented)
- Item Description
- Unit of Purchase/Packaging Multiple
- Quantity Ordered
- Quantity Delivered
- Identification of Any Product Substitutions
- Line Item Unit of Purchase Price
- Line Item Total Cost
- Total Cost of Purchase Order
- Cancelled Items
- Status of Non-Delivered Items/Quantities

Facilities should discuss with their respective prime vendors during the implementation period the specific times for deliveries, docks to be used for deliveries and other special details that will affect delivery of their products.

PART 15 – PAYMENT

Note: PAYMENT TO PRIME VENDORS IS NET 15 DAYS. Refer to section on “Order Entry”.

Invoices: Prime vendors will perform all billings for all recurring and nonrecurring items and services performed, and will provide facilities with a consolidated invoice per

purchase order. Prime vendors will invoice facilities for products shipped, not for products ordered. Facilities will confirm deliveries received, and payment will be made only for products received. Prime Vendors will submit electronic invoices to the payment office cited in the purchase order.

Product Price: The invoice price of the product will be the Federal Government price established by FSS contracts, VA National Standardization Program, JWOD Nonprofit Agencies, VISN, and/or local contracts.

Prime Vendor Fee: The Prime Vendor fee will either be embedded, or shown as a separate line item on the invoice as determined by individual facilities.

Prime vendors that also hold FSS contracts are prohibited from assessing a distribution fee on their own FSS items. When invoicing facilities, Prime Vendors are required to separate the prime vendor's FSS items from all other Federal Government priced invoiced products.

PART 16 – DISCREPANCIES/ CREDITS/REBILLS/SHORT PAYMENTS

HANDLING DISCREPANCIES. While the Prime Vendor Program will improve stock availability and response times, there will inevitably be times when products are short shipped, shipped in error, damaged, or stock outs will occur. Emergency re-supply procedures, handling of products shipped in error, damaged items, and product safety recall procedures are outlined below.

Product Price Discrepancies. Prime vendors will make price changes in accordance with Part 11. Both the facility and the prime vendor will review invoices and payments for accuracy and resolve any price discrepancies within 60 days of the date of issuance of the invoice.

Credit Accounts. Prime vendors will establish credit accounts with each individual facility for pricing errors discovered after receipt of products and/or payments, shipping discrepancies, products returned by facilities or other allowances. Credit accounts will include the facility name, VISN number, "Ship To" account number and other appropriate information as required by facilities.

Credits. Prime vendors will provide facilities with credit memos as they occur. Credit memos will be readily identified (i.e., sequentially numbered, etc.) and will include the original facility delivery order number, line item number, original facility invoice number, product number, National Item File number (when implemented), facility identification, product description credited, credit amount, and reason for credit. Credits for overpayments will be the difference between the price paid by the facility and the

correct price in effect at time of purchase for the affected product. The reimbursement will be from the date the price reduction should have occurred until the date the prime vendor charged the correct price.

End-of-Month Credit Reports. Prime vendors will provide each individual facility and each VISN COTR with a monthly report of all open credits no later than the 15th calendar day following the end of the reporting month, together with reasons credits are still open. Credits will be given to facilities within two days from date of occurrence. Credits will be issued for each separate purchase order in the manner specified by the facility representative or VISN COTR.

Re-bills. Re-bills are vehicles used to correct a previous invoice for discrepancies other than price (e.g., incorrect product quantities shipped). Prime vendors must present re-bills within one month of the invoice. Prime vendors will not issue any re-bills after this date. All re-bills must reference the original facility delivery order number and date, original invoice number and date, identification of the line item(s) affected, amount, and reason for re-bill.

Short Payments. The Government will reimburse Prime vendors for any product price discrepancies that result in short payments to prime vendors. Prime vendors will present a demand for payment to the payment address designated by facilities within one month of payment on the disputed invoice. The demand for payment will include the original facility purchase order number, original facility invoice number, product number, product description, shorted amount, and reason for shorted amount.

PART 17 – PRODUCT RETURNS

Prime Vendor error and shipping damage:

Prime Vendors are required to accept return of product(s) for replacement or credit under the conditions listed below:

- Defective product
- Product shipped in error
- Shipping damage, including concealed shipping damage
- Products with less than 6 months expiration/shelf-life dating remaining at time of delivery, unless otherwise authorized by the facility
- Any other condition necessitating the return when such condition was caused by the prime vendor

Disposition Instructions: Prime vendors are required to provide disposition instructions within 48 hours after receiving notification from the facility that it has product to be returned under any one of the conditions cited above. If disposition instructions do not provide for removal of the product within 72 hours after the Prime Vendor received the notification, the facility may dispose of the product, and will still be due the

appropriate credit for the disposed product.

Replacement: When products are returned under the conditions above, prime vendors are required to replace the products at no charge to the facility. The prime vendor and the facility will mutually establish a time by which replacement product will be delivered. In the event that a difference in price exists between the product delivered and the product ordered, any credits will be resolved in accordance with above instructions.

Credit: If the facility desires credit in lieu of replacement, the prime vendor will issue full credit for the returned product to the facility account within five days after receipt of the returned goods or disposition of product. The credit will include the product price plus the distribution fee (if applicable) originally billed, the original facility purchase order number, product description and product number.

Transportation Cost: The prime vendor is required to bear all costs incurred, including transportation, in the return and replacement of product.

Facility Error Returns: If a facility desires to return goods for:

- Defective product
- Product shipped in error
- Shipping damage, including concealed shipping damage
- Products with less than 6 months expiration/shelf-life dating remaining at time of delivery, unless otherwise authorized by the facility
- Any other condition necessitating the return when such condition was caused by the prime

Such returns will be made as follows:

- For returned products stocked by the prime vendor, the products will be returned to inventory at no additional charge to the facility.
- For special order products requiring return to the manufacturer by the prime vendor, the facility will pay the fee charged by the product supplier to Prime Vendors for returned goods.

PART 18 – RECALLS

Product Modification Removal or Recall. The prime vendor is responsible for handling all recalled products in the manner listed below.

18.1 Notification. If any product distributed under this contract requires modification, is removed or recalled by the manufacturer, or if any required modification, removal or recall is suggested or mandated by a regulatory or official agency, the prime vendor will take the following actions:

- Immediately upon receipt of notice from the Federal Government product supplier, the prime vendor will notify all facilities receiving the recalled products. Notification to the facilities by the prime vendor will be made no later than next-business day from receipt of manufacturer notification.
- The notification will include the following information at a minimum:
 - Complete item description and/or identification
 - Contract and Purchase Order Number
 - Reason for modification, removal or recall
 - Disposition Instructions. If a direct recall is issued, the Prime Vendor will include the manufacturer's disposition instructions.

18.2 Replacement/Credit for Products Removed or Recalled. The prime vendor is required to issue replacement product or credit for any product removed or recalled. The facility will have the option of accepting either replacement product or credit in exchange for the removed/recalled product. The prime vendor will ensure continuity of products to facilities when products are removed or recalled, and will restore facility inventory levels to pre-recalled quantity levels.

PART 19 – OTHER CONSIDERATIONS

Distribution Center Inspection. Facilities should conduct inspections of prime vendor distribution centers to ensure sterility and cleanliness of their medical/surgical items delivered products in accordance with VA Handbook 7176 Standards and a copy of the report forwarded to the National Acquisition Center Contracting Officer.

VA National Item File (NIF). When the NIF is implemented, prime vendors are required to have the flexibility to add the NIF numbers as they become available to meet the NIF system requirements. Once the number schema, field lengths, and number of fields are identified, prime vendors will have 90 days to add all required fields to their ordering and inventory control packages. This will allow facilities to order or search for items using NIF numbers and their components rather than by prime vendors' product numbers.

The NIF can be best leveraged with the MSPV program through the capture of NIF numbers for items managed by prime Vendors and inclusion of those numbers in the reports provided by prime vendors to VA. The publication of the NIF number in MSPV reports will allow further data mining to identify the items. The capture of the NIF number alone will not accomplish the desired result, but is a starting point to allow data

mining in coordination with prime vendors to reach the true source of items procured through the MSPV program.

PART 20 – DEFINITIONS

As used throughout this handbook, the following words or terms are used as defined:

Basic Ordering Agreement. A written instrument of understanding between VA and JWOD Nonprofit Agencies that contains product descriptions, terms and prices. Products supplied by JWOD Nonprofit Agencies are mandatory for VA facilities.

Community-Based Outpatient Clinic (CBOC). A full-time ambulatory care facility that is physically separated but administratively attached to a VA medical center. It is usually located in a less populated area than a satellite clinic and provides primary care as a post-hospital follow-up; occasionally one or more specialty services are provided.

Contracting Officers Technical Representative (COTR). An authorized representative of the VANAC Contracting Office at the VISN/facility level, acting within the limits of authority delegated by the VANAC Contracting Officer.

Drop Shipments. Deliveries made directly from product suppliers to facilities as authorized by facilities. Invoicing is performed by the prime vendor.

EDI. Acronym for Electronic Data Interchange. Inter-process (computer to computer application) communication of business information in a standardized electronic form.

Fill/Call. Value-added option that allows facilities to either have an unfilled order or a portion of an unfilled order either killed (cancelled) or allow the undelivered items be backordered. Prime vendors must first call facilities and obtain a decision. Fill/call items will count against the fill-rate, excepting the exclusions listed in Section 14.2.

Fill/Kill. An order or a portion of an order cancelled (“killed”) due to the non-shipment of products from the prime vendor to the facility by the required delivery order date, unless the ordering facility has previously approved the delivery of a substitute product. Killed items will count against the fill-rate, excepting the conditions in Section 14.2.

JWOD Nonprofit Agencies. A mandatory source program created by the Javits-Wagner-O-Day (JWOD) Act. Under the JWOD Program, the Federal Government obtains certain needed products and services from nonprofit agencies employing people who are legally blind (National Industries for the Blind (NIB)), or people with severe disabilities, (National Industries for the Severely Handicapped (NISH)).

Low Unit of Measure. The smallest (such as each) unit compartmentalized for a specific user. Low unit of measure should coincide with units traditionally considered the lowest saleable unit in the industry. Prices for low unit of measure deliveries will be

prorated case prices. Deliveries will be in totes, segregated by department.

Manufacturer Back Order (MBO). An order from the prime vendor to a product supplier not shipped by the product supplier to the prime vendor due to the non-availability of products by the product supplier. Unfilled orders from prime vendors for reasons that can be prevented by the prime vendor (e.g., low prime vendor inventories, long prime vendor/supplier lead times, poor prime vendor logistical planning) for products that are available from product suppliers to prime vendors will not be considered MBOs.

Medical/Surgical Prime Vendor (MSPV). Also referred to as “contractor” or “Prime Vendor”, is a business concern that functions as a purchaser’s source of distribution for a broad range of medical/surgical products and services as identified by the facility. A prime vendor is responsible for the maintenance of adequate inventory levels and for the delivery of goods produced by numerous suppliers to the facility upon order.

National Item File (NIF). The National Item File represents or reflects a complete inventory of items purchased, stored and used by every VA facility.

Next Scheduled Delivery Day. Next scheduled delivery day is the day agreed upon by the prime vendor and the facility for delivery of products. Next scheduled delivery day does not necessarily imply that delivery will be made within 24 hours.

Non-Recurring Items. Items ordered by facilities less than once per month. Non-recurring items are excluded from the fill-rate requirements.

Product Usage Data. The list of recurring and non-recurring medical/surgical products with their associated quantities, identified by facilities that will be ordered under the MSPV program.

Recurring/Core Items. Items ordered by facilities at least once per month. Recurring/core items will be included in the fill-rate calculation.

VANAC. Acronym for VA National Acquisition Center. VANAC is the contracting office for this procurement.

VA National Standardization Program. A program that establishes a single standard of care for veterans across the VA system on the types and kinds of supplies purchased by VA facilities consistent with clinical and practitioner needs. Standardization facilitates best-value product pricing through committed volume purchases and the delivery of high-quality health care. Standardized products are considered mandatory for use by all VA facilities.

PART 21 – REPORTS

Administrative Contract Reports: Prime vendors will provide facilities the raw data, reports, and scorecards (hereafter collectively referred to as "monthly reports") outlined in this subsection. These reports are required to assist the facilities with internal operational improvements.

Prime vendors will provide monthly reports to the VISN CLO'S and facility's COTRS no later than the 15th calendar day following the end of the reporting month in electronic or other mutually agreed format. Other reports may be provided by prime vendor under the same conditions as offered to commercial customers.

21.0 Purchase History Raw Data: As part of the monthly report, prime vendors will provide facilities the raw transaction data captured by prime vendor transaction processing system and reported to the government on a monthly basis. The raw transaction data will include at a minimum the following fields:

- Facility Name (e.g., VAMC Hines)
- Facility Station Number (e.g. 578)
- Facility VISN Number
- Facility-Designated Purchase Order Number
- Purchase Order Date
- Facility Required Delivery Date
- Facility-Designated Line Item Number
- Federal Gov't Product Contractor Item Number
- Federal Gov't Product Contractor Name
- Federal Gov't Product Contractor Business Size
- Federal Gov't Product Contractor Contract Number
- Product Description
- National Item File Number (when implemented)
- Universal Product Number
- Product on/not on Government Contract (binary field)
- VHA Standardized Item (binary field)
- Package Size/Unit of Measure Ordered
- Quantity Ordered
- Product on Core Item List (binary field)
- Emergency Order (binary field)
- Line Item Fulfilled by Required Delivery Date (binary field)

- Quantity Delivered on Required Delivery Date
- Date Line Item Completely Fulfilled & Delivered
- Unit Cost (excluding distribution fee)
- Line Item Total (excluding distribution fee)
- Line Item Distribution Fee (in dollars, as applicable)
- Line Item Distribution Fee (as percentage, as applicable)

21.1 Fill-Rate Report: The fill-rate report includes at a minimum the following fields:

- Facility Name
- Facility Station Number
- Facility VISN Number
- Core Items:
 - Total Number of Purchase Order Lines From Core Item List
 - Number of Core Item Lines Filled at 100%
 - Percentage of Core Item Lines Filled at 100%
 - Number of Core Item Lines Filled at 0% Due to 10% Over usage
 - Number of Core Item Lines Filled at 0% Due to Manufacturer Backorder
- Fill-Rate
- Purchase Orders:
 - Total Number of Purchase Orders
 - Number of Perfect Orders, (Orders Fulfilled at 100%)
 - Percentage of Perfect Orders to Total Orders
- Fill-Rate

21.2 Core Item List Report: The Core Item List Report includes at a minimum the following fields:

- Facility Name
- Station Number
- VISN Number
- National Item File Number (when implemented)
- Product Description
- Federal Government Product Contractor Contract Number
- Federal Government Product Contractor Name
- Federal Government Product Contractor Item #
- Contract Expiration Date
- Standardized Item (binary field)
- Product located in primary distribution center (binary field)
- Estimated Monthly Usage
- Actual Monthly Usage for Reporting Period
- Pre-Approved Substitute(s)
- Recommended Core List Adjustment

21.3 Sales Report: Prime vendors will provide a monthly report of sales for each facility by line item and by unit cost. A single aggregate sales report as identified below, will also be provided which identifies purchases made to each facility. The aggregate report will be a "rolling" report for a period of 13 months, (e.g., each monthly rolling purchase volume report will include the purchase volume for the reporting period and the purchase volumes for the 12 preceding reporting periods). The aggregate report includes at a minimum the following fields:

- Facility Name
 - Facility Station Number
 - Facility VISN Number
 - Facility Annual Purchase Volume Estimate
 - Facility Monthly Purchase Volume Estimate
 - Purchase Volumes for 12 Preceding Reporting Periods (in dollars)
 - Purchase Volume for Reporting Period (in dollars)
 - Facility Distribution Fee (as percentage)
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- Facility Distribution Fee for Reporting Period (in dollars)
 - Purchase Volume for Reporting Period as a Percentage of Monthly Estimate
 - Purchase Volume for 12-Month Period as a Percentage of Annual Estimate

21.4 Socio-Economic Sales Report: This report includes at a minimum the following fields:

- Facility Name
- Facility Station Number
- Facility VISN Number
- Federal Government Product Contractor Name
- Federal Government Product Contractor Contract Number
- Federal Government Product Contractor Business Size
- Purchase Volume From Federal Gov't Product Contractor

21.5 Credit and Re-bill Report: This report includes at a minimum the following fields:

- Facility Name
- Facility Purchase Order Number
- Purchase Order Date
- Facility Invoice Number
- Purchase Order Line Item Number
- Federal Government Product Contractor Contract Number
- National Item File Number (when implemented)
- Product Description
- Federal Government Product Contractor Name

- Contract Price
- Invoice Price
- Original Invoice Amount
- Amount of Credit/Re-bill
- Reason for Credit/Re-bill

21.6 Facility Service Level Report: Prime vendors will provide a single aggregate report of the service level being provided to each facility. This report includes at a minimum the following fields:

- Facility Name
- Facility Station Number
- Facility VISN Number
- Facility Distribution Fee (As Percentage)
- Facility Required Fill-Rate (As Percentage)
- Facility Unfilled Order Logic (e.g., Fill/Kill Or Backorder)
- Additional Value-Added Services Being Charged the Facility
- Name of Facility Contractor-Assigned Vendor Representative
- Prime Vendor Representative Daytime Phone Number
- Date of Prime Vendor Representative Most Recent Contact With Facility COTR
- Mode of Most Recent Contact (e.g., in person, phone, e-mail, etc.)

21.7 Distribution Center Out-of-Stock Report: Prime vendors will provide a single aggregate “out of stock” report for each distribution center. For each purchase order line item which (i) corresponded to the ordering facility Core Item List and (ii) was not filled at 100% (i.e., completely and on time), this report will identify the product ordered and the reason the line item was not filled completely or on time (e.g. backorder by the manufacturer or non-manufacturing supplier). This report includes at a minimum the following fields:

- Location Of Facility Primary Distribution Center (City, State)
- Ordering Facility Name
- Ordering Facility Station Number
- Ordering Facility VISN Number
- Facility-Designated Purchase Order Number
- Purchase Order Date
- Facility-Required Delivery Date
- Purchase Order Line Item Number
- Federal Government Product Contractor Item Number
- Federal Government Product Contractor Name
- Federal Government Product Contractor Contract Number
- Product Description
- National Item File Number (when implemented)

- Universal Product Number (if available)
- Product on/not on Government Contract (binary field)
- Package Size/Unit of Measure Ordered
- Quantity Ordered
- Product on Core Item List (binary field)
- Emergency Order by Facility (binary field)
- Line Item Filled by Expected Delivery Date (binary field)
- Quantity Delivered on Expected Delivery Date
- Date Line Item Completely Filled & Delivered
- Unit Cost (excluding distribution fee)
- Line Item Total (excluding distribution fee)
- Line Item Distribution Fee (in dollars, as applicable)
- Line Item Distribution Fee (as percentage, as applicable)
- Reason Line Item Was Not Filled Completely And On Time
- If MBO, Reason Given By Product Supplier for Backorder
- If MBO, Estimated Shipping Date to Prime Vendor By Product Supplier

21.8 Delivery Quality Report: Prime vendors will provide facilities an aggregate delivery quality report that includes at a minimum the following fields:

- Facility Name
- Facility Station Number
- Facility VISN Number
- Location Of Facility Primary Distribution Center (City, State)
- Driving Distance Between Facility & Primary Distribution Center (In Miles)
- Number of Monthly Regular Deliveries Made to Facility
- Number of Monthly Emergency Deliveries Made to Facility
- Number of Monthly Drop Shipments Made to Facility
- Number of Monthly Missed Deliveries
- Number of Complaints Regarding Damaged Product
- Number of Complaints Regarding Expired Product
- Number of Incorrectly Delivered Line Items